

INFORMATION BULLETIN #97

INCOME TAX

JUNE 2006

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SUBJECT: Headquarters Relocation Tax Credit

REFERENCES: IC 6-3.1-30; and P.L.137-2006

INTRODUCTION

The Headquarters Relocation Tax Credit was originally passed in 2005 effective for taxable years beginning after December 31, 2006. P.L.137-2006 was subsequently passed making the credit effective for taxable years beginning after December 31, 2005. The credit is intended to provide an incentive for a business to relocate its corporate headquarters into Indiana.

I. DEFINITIONS

- A. "Corporate headquarters" means the building where the principal offices of the principal executive officers of the business are located.
- B. "Eligible business" means a business that is engaged in intrastate or interstate commerce, maintains a corporate headquarters outside Indiana, has not previously maintained a headquarters inside Indiana, and had annual worldwide revenues of at least one hundred million dollars (\$100,000,000) for the immediate preceding taxable year.
- C. "Pass through entity" means an S Corporation, partnership, limited liability company, or a limited liability partnership.

- D. “Qualifying project” means the relocation of the corporate headquarters from a location outside Indiana to a location in Indiana.
- E. “Relocation costs” means the reasonable and necessary expenses incurred by the business for a project. The term includes moving expenses, purchase of new or replacement equipment, capital investment costs, purchase lease or construction of buildings and land, infrastructure improvements and site development costs.

II. ENTITLEMENT TO THE CREDIT

A taxpayer that is an eligible business that completes a qualifying project, incurs relocation costs, and employs at least seventy-five (75) employees in Indiana is entitled to a credit against the taxpayer’s state tax liability for the year in which the relocation costs are incurred.

The amount of the credit that the taxpayer is entitled to is fifty percent (50%) of the amount of the relocation costs incurred in the taxable year. However, the amount claimed may not result in an Indiana tax liability that is lower than the Indiana tax liability in the taxable year immediately proceeding the taxable year in which the taxpayer first incurred the relocation costs.

EXAMPLE: The relocation costs are ten million dollars (\$10,000,000). Therefore the amount of the credit is five million dollars (\$5,000,000). The taxpayer’s tax liability for the year before the relocation costs were incurred was one million dollars (\$1,000,000). The current taxable year liability is calculated at one million seven hundred fifty thousand dollars (\$1,750,000). The amount of credit allowed in the first year is seven hundred fifty thousand dollars (\$750,000).

Any unused credit amount can be carried forward and applied to the nine (9) succeeding taxable years. A taxpayer is not entitled to a refund or carryback of any unused credit.

In future years the taxpayer will be allowed to apply the carry forward to any tax liability amount that exceeds the one million dollars (\$1,000,000) base year amount.

If a pass through entity is entitled to the credit, a shareholder, partner or member of the pass through entity is entitled to claim the credit. The amount that the shareholder, partner or member may claim is the percentage of the pass through entity’s distributive income to which the shareholder, partner or member is entitled.

III. DETERMINATION OF ELIGIBLE EXPENSES

The Department is required to determine whether an expense resulted from the relocation of the business, and in making that determination shall consider whether the expense would have been incurred by the taxpayer if the business had not relocated to Indiana.

IV. CLAIMING THE TAX CREDIT

A taxpayer must claim the credit on the taxpayer's state tax return and must provide proof of the taxpayer's relocation costs, and proof that the taxpayer is employing at least seventy-five (75) people in the State of Indiana.

A handwritten signature in black ink that reads "John Eckart". The signature is written in a cursive style with a large, looping initial "J".

John Eckart
Commissioner